

GENERAL EMPLOYMENT ENTERPRISES INC

Form 10-K

December 28, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

T Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 2010

£ Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-05707

GENERAL EMPLOYMENT ENTERPRISES, INC

(Exact name of registrant as specified in its charter)

Illinois

(State or other jurisdiction of incorporation or
organization)

36-6097429

(I.R.S. Employer Identification Number)

One Tower Lane, Suite 2200, Oakbrook Terrace, IL
(Address of principal executive offices)

60181
(Zip Code)

Registrant's telephone number, including area code: (630) 954-0400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, no par value

Name of each exchange on which registered
NYSE Amex

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes £ No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes £ No T

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes T No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☒

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☐

The aggregate market value of the common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of March 31, 2009 was \$1,698,000.

The number of shares outstanding of the registrant’s common stock as of September 30, 2010 was 14,856,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the General Employment Enterprises, Inc. Proxy Statement for the annual meeting of shareholders to be held on February 10, 2011 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1, Business.

General

General Employment Enterprises, Inc. (the Company”) was incorporated in the State of Illinois in 1962 and is the successor to employment offices doing business since 1893. In 1987 the Company established Triad Personnel Services, Inc., a wholly-owned subsidiary, incorporated in the State of Illinois. In June 2010 the Company purchased certain assets of On-Site services, a temporary staffing agricultural business. The principal executive office of the Company is located at One Tower Lane, Suite 2200, Oakbrook Terrace, Illinois.

Services Provided

The Company provides the following distinctive services: (a) placement services (b) temporary professional staffing services in the fields of information technology, engineering, & accounting and (c) temporary staffing in the agricultural industry.

The Company’s placement services include placing candidates into regular, full-time jobs with client-employers. The Company’s contract services include placing its professional employees on temporary assignments, under contracts with client companies. Professional contract workers are employees of the Company, typically working at the client location and at the direction of client personnel for periods of three months to one year. Management believes that the combination of these two services provides a strong marketing opportunity, because it offers customers a variety of staffing alternatives that includes direct hire, temporary staffing and a contract-to-hire approach to hiring. The Company’s temporary staffing in the agricultural industry provides agricultural workers for farms and groves located in Florida, Georgia, Indiana, and Alabama. Most of the workers will migrate from location to location because the work is seasonal depending on the type of crop. The percentage of revenues derived from the Company’s services is as follows:

	Year Ended September 30			
	2010		2009	
Professional contract services	53	%	60	%
Placement services	24	%	40	%
Agricultural contract services	23	%	—	

Marketing

The Company markets its services using the trade names General Employment Enterprises, Omni One, Business Management Personnel, Triad Personnel Services, Generation Technologies and On-Site Services. As of September 30, 2010, it operated eleven branch offices located in downtown or suburban areas of major U.S. cities in eight states. The offices were located in Arizona, California (2), Florida (2), Illinois, Indiana, Massachusetts, North Carolina and Ohio (2).

The Company markets its professional staffing services to prospective clients primarily through telephone marketing by its recruiting and sales consultants, and through emailing of employment bulletins listing candidates available for

placement and contract employees available for assignment. The Company's agricultural staffing services are marketed directly through contacts and relationships built and maintained by the division's general manager.

The portion of consolidated net revenues derived from the Company's two largest customers together was approximately 17 % in fiscal 2010 and 21% in fiscal 2009, and no other customer accounted for more than 7% of net revenues during either year.

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Competition

The staffing industry is highly competitive. There are relatively few barriers to entry by firms offering placement services, while significant amounts of working capital typically are required for firms offering contract services. The Company's competitors include a large number of sole-proprietorship operations, as well as regional and national organizations. Many of them are large corporations with substantially greater resources than the Company.

Because the Company focuses its attention on professional staffing positions, it competes by providing highly qualified candidates who are well matched for the position, by responding quickly to client requests, and by establishing offices in convenient locations. As part of its service, the Company provides for professional reference checking, scrutiny of candidates' work experience and optional background checks. In general, pricing is considered to be secondary to quality of service as a competitive factor. During slow hiring periods, however, competition can put pressure on the Company's pricing.

The agricultural staffing industry is considered a niche business that requires a high capital reserve to cover the weekly payroll. There are few businesses in this market and the Company does not anticipate a significant change in the pricing for the next year.

Recruiting

The success of the Company's professional staffing services is highly dependent on its ability to obtain qualified candidates. Prospective employment candidates are generally recruited through telephone contact by the Company's employment consultants or through postings on the Internet. For Internet postings, the Company maintains its own web page at www.generalemployment.com and uses other Internet job posting bulletin board services. The Company maintains database records of applicants' skills to assist in matching them with job openings. The Company screens and interviews applicants who are presented to its clients. The Company's agricultural service employees are generally seasonal migrant workers, which are typically recurring workers or are directly recruited by the customers.

Employees

As of September 30, 2010, the Company had approximately 68 regular employees and 103 contract service employees.

Item 1A, Risk Factors.

Not applicable.

Item 1B, Unresolved Staff Comments.

Not applicable.

Item 2, Properties.

The Company's policy is to lease commercial office space for all of its offices. The Company's headquarters are located in a modern 31-story building near Chicago, Illinois. The Company leases 8,200 square feet of space at that location under a lease that will expire in 2015. The lease may be cancelled by the Company in 2012 under certain conditions.

The Company's staffing offices are located in downtown and suburban business centers in eight states. Established offices are operated from leased space ranging from 800 to 2,000 square feet, generally for initial lease periods of three to five years, with cancellation clauses after certain periods of occupancy in some cases. Management believes that existing facilities are adequate for the Company's current needs and that its leasing strategies provide the Company with sufficient flexibility to open or close offices to accommodate business needs.

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Item 3, Legal Proceedings.

From time to time, the Company is subject to various legal proceedings and claims arising in the ordinary course of business. As of September 30, 2010, there were no material legal proceedings pending against the Company.

Item 4, Reserved

Not applicable.

PART II

Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock is listed on the NYSE Amex stock exchange and is traded under the symbol JOB. The following table sets forth the quarterly high and low sales prices per share of the Company's common stock on the consolidated market for each quarter within the last two fiscal years.

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Fiscal 2010:				
High	\$.41	\$.67	\$.77	\$.84
Low	.22	.25	.51	.50
Fiscal 2009:				
High	\$1.47	\$.58	\$.52	\$.54
Low	.46	.36	.19	.30

There were 661 holders of record on September 30, 2010.

No dividends were declared or paid during the three month period ended September 30, 2010. We do not anticipate paying any cash dividends for the foreseeable future.

Information concerning securities authorized for issuance under equity compensation plans is presented in Item 12 of this annual report.

During the three months ended September 30, 2010, no equity securities of the Company were purchased by the Company.

Recent Sales of Unregistered Securities

Not Applicable.

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Item 6, Selected Financial Data.

Not Applicable.

Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company provides contract and placement staffing services for business and industry, primarily specializing in the placement of information technology, engineering and accounting professionals. With the acquisition of On-Site Services, Inc. (On-Site) in June 2010, the Company also began to provide contract staffing services for the agricultural industry. On June 1, 2010, the Company entered into an asset purchase agreement to purchase certain assets of On-Site Services, Inc. which qualified as a business combination. This business is located in Florida and provides labor and human resource solutions, including temporary staffing, to the agricultural industry. The results of operations of On-Site are included in the Company's statement of operations from the date of the acquisition. As of September 30, 2010, the Company operated twelve offices located in eight states.

The Company's professional staffing services business is highly dependent on national employment trends in general and on the demand for professional staff in particular. As an indicator of employment conditions, the national unemployment rate was 9.6% in September 2010 and 9.8% in September 2009. This indicates a trend toward a relatively flat level of unemployment in the United States during the last twelve months.

During the year ended September 30, 2010, the U.S. economy experienced a period of continued uncertainty stemming from problems in the housing and credit markets. According to the U.S. Department of Labor, the national employment level declined by approximately six million jobs during the period. Management believes that employers have remained extremely cautious about hiring during the period. As a result, the Company experienced sharp declines in both the number of billable contract hours and the number of placements.

Consolidated net revenues for the year ended September 30, 2010 increased 14.6% compared with the prior year due to the acquisition of On-Site. Contract service revenues, including On-Site, increased by 43.6%, while placement service revenues decreased by 29.6%. Due to the restructuring of its corporate and field operations during the third quarter of fiscal 2009, and the Company's efforts to reduce selling, general, and administrative expenses, the Company was able to lower its loss from operations from \$4,228,000 in the prior year to \$1,556,000 in the current year.

Results of Operations

Net Revenues

Consolidated net revenues are comprised of the following:

(In Thousands)	Year Ended September 30	
	2010	2009
	\$	\$
Placement Services	2,897	4,114
Professional Contract Services	6,127	6,280
Agricultural Contract Services	2,803	—
Consolidated Net Revenues	\$11,917	\$10,394